

FDIC State Profile

Summer 2005

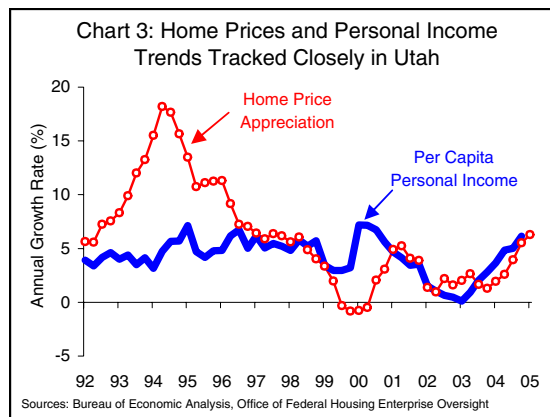
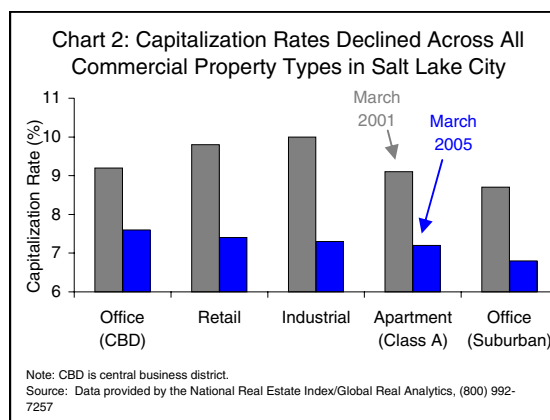
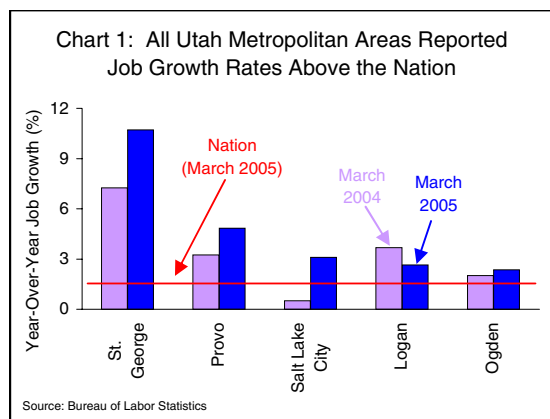
Utah

Utah job growth improved to 3.8 percent in first quarter 2005, fourth highest nationally.

- Every major sector in Utah reported year-over-year job gains in first quarter 2005. The largest contributors to job growth were the business services and construction sectors, followed by education and health services and leisure. The state is expected to continue generating relatively strong job growth through 2005.¹
- Job growth exceeded the national pace in every Utah metropolitan area (See Chart 1). Although **Salt Lake City** added the most new jobs in the state, **St. George** retained its top ranking among all metropolitan areas nationally, with 10.7 percent year-over-year job growth.
- The Base Realignment and Closure recommendations may result in nearly 500 Utah job losses, mainly in the Salt Lake City area. The state's third largest employer, Hill Air Force Base, could shed some jobs but was not on the list for recommended closure.

Commercial real estate (CRE) conditions improved.

- Absorption of available space resulted in some moderation in the Salt Lake City office vacancy and industrial availability rates. Rents were relatively flat over the year.
- Generally declining capitalization rates over the past few years buoyed commercial property values in Salt Lake City. But, any increases in interest rates could pressure capitalization rates and property values (See Chart 2).
- CRE exposures increased among institutions based in Salt Lake City (excluding Industrial Loan Companies (ILC) and institutions over \$1 billion in total assets). The median CRE loan to Tier 1 capital ratio among these institutions increased from 239 percent to 276 percent year-over-year as of March 30, 2005, significantly higher than the 182 percent reported for institutions nationwide. CRE past-due loans remained very low.



¹Forecast source is Economy.com and Western Blue Chip Economic Forecast (June 2005).

State Profile

Utah house price appreciation rose in lock-step with personal income.

- Utah home prices increased in first quarter 2005 but remained well below the national pace. Additionally, the rate of home price appreciation mirrored income growth, which could suggest that housing affordability may remain relatively stable (See Chart 3).
- Strong job growth and demand for homes contributed to home price appreciation in St. George, which reported annual home price gains of nearly 20 percent (See Map 1).
- Although Utah-based institutions (excluding ILCs) reported a lower median percentage of mortgage-related assets than institutions nationwide, exposures to construction lending remain higher than institutions nationwide (See Chart 4).
- The percentage of adjustable-rate mortgage loans originated in Utah during 2004 was greater than in the nation overall (43 percent in Utah compared with 35 percent in the nation).

Asset quality improves, but delinquencies remain high.

- Institutions headquartered in Utah reported the ninth highest median past-due ratio in the nation as of March 31, 2005, a ranking unchanged from one year ago. Delinquencies were concentrated in the commercial and industrial (C&I) and the consumer loan portfolios.
- C&I delinquencies increased at established ILCs year-over-year, and consumer delinquencies were especially high at seven institutions reporting relatively small portfolios of consumer loans. These two groups of institutions reported median C&I and consumer past-due ratios that were more than double the median C&I and consumer past-due ratios for all Utah-based institutions.

Utah-based institutions posted the highest return on average assets (ROA) in the nation.

- Consistent with the state's economic growth, Utah-based institutions reported a strong ROA of 1.56 percent during first quarter, the highest in the nation and above the state's own performance one year ago.
- Excluding the results of the state's ILCs, earnings improved as a result of a strong, expanding net interest margin (NIM) and lower overhead and credit costs.
- Net interest income among Utah-based institutions (excluding ILCs) contracted in first quarter 2005 despite an increase in the prime rate, possibly reflecting the growing popularity of short-term, fixed-rate financing for non-residential credit (See Chart 5).

- ILCs headquartered in the state reported very strong earnings; the first quarter 2005 ROA at established ILCs² increased from 3.89 percent to 4.88 percent year-over-year. Improvement in earnings performance was the result of lower overhead and reduced credit costs which more than offset a narrowing NIM.

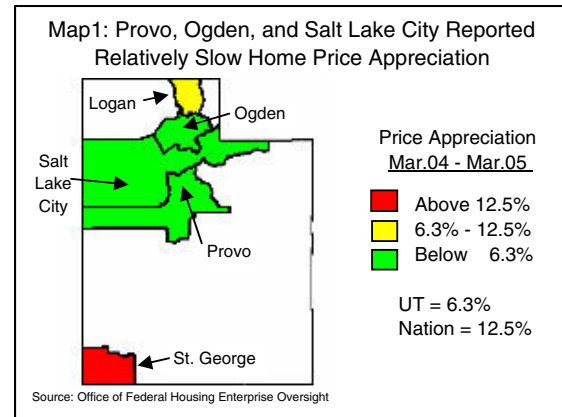


Chart 4: Construction Loans Dominated Exposures Among Utah-Based Banks

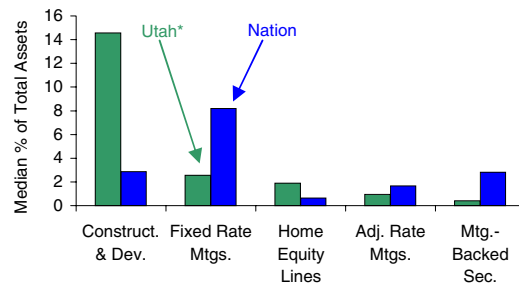
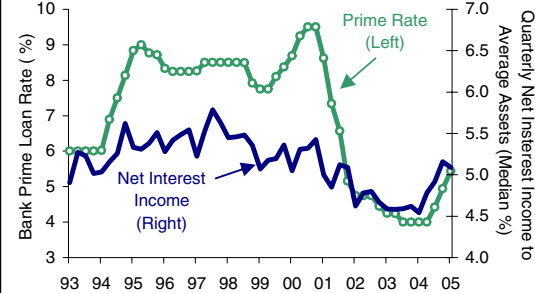


Chart 5: Net Interest Income and Prime Rate Trends Diverged



²Established Industrial Loan Companies (ILCs) are those open more than three years as of March 31, 2005.

Utah at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.8%	1.8%	-0.6%	-0.8%	1.9%
Manufacturing (10%)	3.2%	0.5%	-2.2%	-8.6%	0.0%
Other (non-manufacturing) Goods-Producing (7%)	9.6%	3.3%	-0.8%	-5.2%	-3.0%
Private Service-Producing (64%)	3.7%	2.3%	-1.0%	0.2%	2.7%
Government (18%)	2.1%	0.3%	1.8%	2.8%	2.6%
Unemployment Rate (% of labor force)	4.8	5.4	5.8	5.5	3.8

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.1%	1.6%	3.3%	6.5%
Single-Family Home Permits	28.0%	6.6%	23.0%	-3.3%	-5.4%
Multifamily Building Permits	25.9%	-20.0%	11.9%	-1.9%	125.2%
Existing Home Sales	14.0%	-5.1%	11.0%	3.7%	4.1%
Home Price Index	6.3%	1.9%	2.0%	1.4%	4.9%
Bankruptcy Filings per 1000 people (quarterly level)	2.04	2.18	2.38	2.27	1.99

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	68	65	60	59	62
Total Assets (in millions)	204,726	175,122	132,586	129,056	112,032
New Institutions (# < 3 years)	11	8	10	12	15
Subchapter S Institutions	10	9	7	7	6

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.00	2.27	3.31	4.85	3.63
ALLL/Total Loans (median %)	1.50	1.50	1.65	1.79	1.76
ALLL/Noncurrent Loans (median multiple)	2.62	1.70	1.69	1.80	1.56
Net Loan Losses / Total Loans (median %)	0.39	0.36	0.46	0.47	0.39

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	14.17	13.86	12.02	12.96	12.48
Return on Assets (median %)	1.77	1.71	1.86	1.83	1.75
Pretax Return on Assets (median %)	2.40	2.53	2.78	2.55	2.45
Net Interest Margin (median %)	6.15	6.12	6.25	6.11	6.21
Yield on Earning Assets (median %)	8.49	8.38	8.74	8.87	9.21
Cost of Funding Earning Assets (median %)	2.19	2.11	2.40	2.53	3.11
Provisions to Avg. Assets (median %)	0.31	0.43	0.43	0.45	0.38
Noninterest Income to Avg. Assets (median %)	1.21	1.27	1.51	1.40	1.52
Overhead to Avg. Assets (median %)	4.46	4.36	4.10	4.16	4.72

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	73.4	70.9	73.0	72.7	68.9
Noncore Funding to Assets (median %)	27.5	22.3	24.8	25.6	20.9
Long-term Assets to Assets (median %, call filers)	3.8	4.3	4.2	4.3	4.6
Brokered Deposits (number of institutions)	41	33	31	28	24
Brokered Deposits to Assets (median % for those above)	34.0	28.5	23.8	21.6	31.6

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	67.9	76.2	90.2	101.0	82.1
Commercial Real Estate	40.2	51.9	90.1	76.6	38.1
Construction & Development	4.2	13.3	26.8	47.4	16.6
Multifamily Residential Real Estate	0.2	0.4	0.3	0.1	0.0
Nonresidential Real Estate	19.3	28.7	41.7	28.7	7.2
Residential Real Estate	26.3	21.6	35.3	38.6	30.5
Consumer	15.9	23.8	41.1	47.0	50.9
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Salt Lake City, UT	53	92,458	< \$250 million	38 (55.9%)
Ogden-Clearfield, UT	18	3,061	\$250 million to \$1 billion	16 (23.5%)
Provo-Orem, UT	14	2,491	\$1 billion to \$10 billion	7 (10.3%)
St. George, UT	9	1,096	> \$10 billion	7 (10.3%)
Logan, UT-ID	12	932		